



For Immediate Release

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**Senator Gregg's Senate Floor Remarks on the Farm Bill Conference Report
May 14, 2008
(unofficial transcript)**

Mr. President, first, I appreciate my colleagues for allowing me to proceed at this time. I recognize we're debating a bill where the inclusion is already foregone and the cards are dealt and turned over. This bill will pass. That doesn't mean it shouldn't be discussed, and some of its weaknesses should be pointed out, in my opinion.

I have severe reservations about the way we approached the commodity side of this bill. As represented, it is not the majority of the spending, but it is a very significant amount of spending, \$190 billion or in that area.

Some may ask, and I may have wondered, what happened to all the economists who worked for the Soviet Union when it failed, who were sitting at their desks and they didn't have a job anymore? Folks who believed in a commissar economy, who believed in top-down management of the economy, who believed in five-year plans, who believed that supply and demand had no relationship to markets -- where did those people go?

We know, they went into the development of present farm policy. Sort of like if after World War II you took all the scientists out of Germany and put them in Huntsville and at the end of the Cold War, we took all of the economists out of the Soviet Union and we put them in the Midwest or maybe the South, because this bill is structured in a world that has no relationship to the market. And it actually fundamentally undermines the consent of markets in relating productivity to demand and supply to market.

It is also a bill that does serious damage to budgeting because it uses \$18 billion in gimmicks in order to avoid Pay-Go rules and other budget enforcement mechanisms.

It even brings back, amazingly enough, the customs fees. How many times can we bring back customs fees? But it brings them back and claims the savings and uses that money and spends it -- \$10 billion, I believe.

So this is a time when the farm community in this country is doing pretty darned well. In fact, the average farm income today is about 51% higher than it has been, on average,

over the last 10 years -- \$92 billion. Real farm income is up \$200 billion just in the last couple of years. Farmers are experiencing record income.

We're setting up a subsidy structure, the purpose of which is to basically make payments to farmers who are making a lot of money on products that are doing very well.

Wheat is selling at \$6 or \$8 a bushel. That's the average price now. The average price used to be around \$3.50 so it is almost twice the average price. The same can be said if corn. Corn is actually higher. Same for barley, same for soybeans. Rice is three times the average price.

We have commodities able to compete in the market so why did we create a massive new subsidy structure creating the command and control attempt to manage markets?

We don't. We don't, obviously, in the context of this time. The bill also sets up new mechanisms which are poor. It creates a new fund for emergencies. It says there will be \$3.8 billion here for emergencies. We've never handled emergencies that way and the reason is because we don't know what the emergencies are going to be. We have always taken care of emergencies -- whether it was Katrina, which has cost well over \$150 billion, or whether it was smaller events -- floods, hurricanes, tornadoes. We take care of them when we know the cost. We do not set up a slush fund for an emergency so the next time a post office box blows over in some community it's declared an emergency and they can get this money. This will incentivize an aggressive attempt to declare everything an "emergency," to get at the money.

The irony is, to show how totally inconsistent this language is, they don't even use the emergency money that they set aside in this bill -- \$3.8 billion -- for an emergency they identify in this bill. And that is the Kansas tornadoes which they fund at \$60 million, I believe it is. It just shows that this money is just going to be used for something else. If they're going to fund \$60 million for an emergency in the bill, they ought to at least have the integrity to take it from the slush fund.

How absurd. This is walking-around money is what it amounts to, \$3.8 billion of walking-around money which is real money, by the way. It would run the state of New Hampshire for two years.

There is a claim that there is major reform in the area of payment to wealthy farmers. They have reduced the payment level so you don't get any payments if you have more than \$750,000 of farm income. What isn't discussed today is the fact you can also have \$500,000 of outside income plus the \$750,000, so that gets you to \$1.2 million and then if you're married you can couple that with your spouse. He or she can have \$750,000 and \$500,000, so a married farmer and spouse are still making \$2.5 million of income and they still qualify under this bill.

So that's sort of a sleight-of-hand to claim there is significant reform. In fact, the reform is insignificant compared to what was suggested. The President's reform has saved \$1.6

billion. He suggested it would be adjusted gross incomes of over \$200,000, and not get these payments.

How much does this bill save in that area, because it allows the spouse to qualify also and it allows the extra income outside of farming to qualify. Over the life of the bill it is not a significant amount of money and it reflects this is not a significant reform. It simply isn't.

The bill also does nothing to limit the practice of farmers locking in subsidy payments at the lowest market prices, yet retaining their crops to sell when the prices are higher. As a result, farmers are paid subsidies for losses they never have. This is where the guys from the Soviet Union gathered and they said, it worked in the Soviet Union, let's do it here. Let's be reasonable about this. This is not logical. And it is certainly not market politics and it has very little relationship to Adam Smith.

It also, ironically, at a time when we should be encouraging people to use ethanol, continues a major discouragement for those of us who live in the Northeast from using ethanol by extending the tariff for two more years through 2010. This tariff makes no sense at all. You can't ship the ethanol to the Northeast that's being produced in the Midwest. We don't have the production capabilities in the Northeast. We don't have the product, although the initiative here, which I respect and say is a good initiative hopefully can give us that option.

But the simple fact is, maintaining this tariff is to penalize uniquely the Northeast: Pennsylvania, New England, New York, New Jersey, everything basically in the East, not even the Northeast, in order to protect the subsidies of product corn in the Midwest and corn is doing pretty darn well. It doesn't need the protection. It does not need the protection.

In fact, if anything, we need to figure out a way to produce other products to make ethanol out of and, you know, the folks in Brazil have figured it out. So why not let us buy that ethanol? Why penalize us for the purposes of basically protecting production, which is already at a record price. It makes no sense at all.

And then the one that really is the worst, in my humble opinion, is the sugar program. I mean the sugar program was pretty bad before this bill. And in what could only be called a sugar high, they only made it significantly worse. How could they do that? It's very hard to do. They locked in a price for sugar that is double the world price here in the United States.

And then on top of that they're making the federal government buy sugar at that inflated price and then resell it for the production of ethanol at a significant loss. You know, the sugar program makes no sense to begin with. It never made any sense other than the fact that this was a commodity that had influence in the process of developing this bill, obviously a disproportionate amount of influence. And to take this program, which was bad to begin with, and make it so egregious by forcing the federal government and federal taxpayers first to pay twice what the world market price is for sugar and to have

to resell it for ethanol producers at a huge loss -- how many times can you hit the taxpayers for the purposes of the sugar industry? It's not right.

And then, of course, there are the new programs, the asparagus payments. I like asparagus. I used to grow asparagus. My wife loves asparagus. I did destroy the entire asparagus crop. I didn't get a disaster payment.

Under this bill I might. I might, you know, because there is a new asparagus program. There is a chickpea program and a camelina program. I don't know what a camelina is. It is a product made somewhere that somebody wanted to get a subsidy for. There's a national sheep and goat industry improvement center for \$1 million. There's a desert terminal lakes program, which is \$175 million, to lease and purchase water rights.

There are a variety of earmarks and one of the ones that I find to be most representative of the failure of this bill is one for farm and ranch stress assistance network. Now do we have a stress assistance network for the family running a gas station or maybe the family that opened a restaurant and they're not doing so well, or the folks who start up a small shoe store somewhere? What qualifies farmers and ranchers for a special program dealing with stress? Well the only thing that qualifies is that somebody somewhere came up with this program, got somebody's ear, and decided to stick it in this bill. They knew that the train was leaving the station. It makes no sense and is something that tax dollars should not be spent on.

We have things that arrived out of nowhere in this bill it appears. A fishery disaster assistance program for California, Washington, and Oregon. Forest conservation bonds. And, as I mentioned, and I find this reasonable, that there should be relief here for the tornado in Kansas. But why wouldn't it come out of the money that we just set aside in this bill for disasters, the \$3.8 billion. Why wouldn't the fishery assistance, if that's an emergency, come out of that?

This bill is just replete with gamesmanship to try to get around Pay-Go. I refer to Pay-Go as Swiss-Cheese-Go, which is very appropriate in a farm bill. I assume it's subsidized. The fact is that there's \$18 billion of gimmicks in this bill. There are sunsets of programs after five years that they know are not going to sunset so they won't be scored. There's the non-scoring of the milk income loss compensation issue. There's the classic shift on the corporate tax one day so that you collect it a day earlier or a day later and that gives you a different score that allows you to avoid the Pay-Go rules.

If you look at this budget, it had to have Pay-Go waived in the House. It was \$7.4 billion out of whack for Pay-Go in the House.

Equally ironic is tomorrow we're going to take up the Conference Report on our budget, on the unified budget. If the budget that passed the Senate earlier this year were in place now, a Pay-Go point of order would be would lie against this bill because it violates the very budget that was produced by the majority party and passed with such fanfare earlier this year.

The only reason we can't make the Pay-Go point of order is because the budget hasn't fully passed and therefore isn't in effect. But it is, I think, very hard to say with a straight face that this bill does not violate Pay-Go when you know that right around the corner is a budget which was passed by the majority which if it were in place, and which I presume it will be in place fairly soon, a Pay-Go point of order would lie against this bill.

So I think we can stop talking about Pay-Go around here as an enforcement mechanism. Because it clearly doesn't exist. And this bill is just another example of the other examples where it has been gamed and manipulated. We count 15 to 20 different examples adding up to something around \$143 billion of instances where Pay-Go has been gamed around here. And this bill just takes that total up a little further. A lot further, \$18 billion further.

And, so as a result, enforcing Pay-Go, becomes a fraudulent exercise around here. I mean, it's only used on rare occasions when it is politically acceptable for the majority to use it. On any other occasion where it might lie, it's gamed.

This bill is one of the more extraordinary examples of that gamesmanship as I mentioned. There are customs fees to fund 55 different programs around here. They're the exact same fee programs could claim that they met the budget rules in this bill.

So the bill has, in my opinion, decoupled economic common sense from the farm production and especially from farm payments. If we want a farm system that works, why don't we go to the market? You know, a lot of these commodities today are doing pretty doggone well. Extremely well. Good times in farm country for most people.

Why don't we let the market continue to work? Why do we have to set up these massive subsidy programs? Why do we have to have a sugar program that charges American consumers twice the world rate for sugar? It makes no sense. Why do we have to have a slush fund for emergencies when nobody else has that sort of a slush fund? Why do we have to have a new program for asparagus? You know, I think asparagus growers are probably pretty competitive. I don't know who the competition is. Maybe the Chinese grow asparagus. I expect that most asparagus growers can compete with the Chinese. I prefer American, by the way.

Let the markets do this rather than create this bill which is such a mutation of every idea that Adam Smith put forward which has made, quite honestly, our country strong and on the basis of which we basically won the Cold War, which was that free markets work, that capitalism works, that competition works, rules of supply and demand works, that you let people produce the product that has the comparative advantage and they produce it and more efficiently, especially Americans, and you get a better price for the consumer and the taxpayer doesn't end up with the bill.

I know I'm not going to win this battle. The way this bill is structured is a classic log-rolling exercise. You pick this group who has this interest and you give them a subsidy

and they get you a vote and then you go over here and you pick this group and they have an interest and you get a proceed and you go to the urban areas and you say to the people, we'll give you a dramatic increase in this program and it all adds up to 80 votes around here.

The problem is, the people who pay are our kids and our consumers. This is, you know, taking a lamb chop to the head of the American consumer and pounding him with it. So in any event, I have a point of order here which lies against this bill, which I wish to make at this time because this bill violates innumerable points of order in spirit and where the budget that the Senator from North Dakota brought to the floor in law at this time or passed as a resolution at this time would violate in reality also.

There is a budget point of order -- which is a holdover from a prior chairman which makes considerable sense, which is that you shouldn't run up the debt on the next generation by spending it out in years without paying for it -- which this bill still violates.

And so, Mr. President, section 203 of the FY 2008 budget resolution makes it a point of order to consider legislation that increases the deficit by more than \$5 billion in the Senate for any of the four 10-year periods starting in fiscal year 2018. The pending bill would increase the long-term net deficit in excess of \$5 billion. I raise a point of order under section 203 under S.Con.Res.21 against the pending bill.